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BANKENO MINES LIMITED

Annual Report

FOR THE PERIOD ENDED
DECEMBER 31, 1965

BANKENO MINES LIMITED

OFFICERS AND DIRECTORS

THOS. J. DAY, Q.C., <i>President and Director</i>	- - - - -	Toronto, Ontario
J. W. McBEAN, <i>Vice-President and Director</i>	- - - - -	Swastika, Ontario
G. H. CHARLEWOOD, <i>Director</i>	- - - - -	Kirkland Lake, Ontario
E. T. DONALDSON, <i>Director</i>	- - - - -	Toronto, Ontario
DR. F. YANDELL, <i>Director</i>	- - - - -	Nanuet, N.Y.
E. S. CHARD, <i>Treasurer</i>	- - - - -	Toronto, Ontario
K. H. LARKIN, <i>Secretary</i>	- - - - -	Toronto, Ontario

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TRANSFER AGENT

CROWN TRUST COMPANY
302 Bay Street, Toronto, Ont.

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AUDITORS

THORNE, MULHOLLAND, HOWSON & McPHERSON
Toronto, Ont.

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HEAD OFFICE - - - - - 250 University Avenue, Toronto, Ont.

BANKENO MINES LIMITED

Report of the Directors

TO THE SHAREHOLDERS:

It is a pleasure to review for our shareholders the progress achieved on your company's oil and base-metal holdings in the Arctic Islands.

With reference to our mineral holdings, you already have been advised in detail of the agreement entered into by your company with Cominco (formerly The Consolidated Mining and Smelting Company of Canada Limited) covering the development of these mineral holdings.

During the past year thirty-seven shallow vertical holes, totalling 2,311 feet, were drilled on the Eclipse Zone on Little Cornwallis Island in an area where previous surface work encountered lead-zinc values. Nine of the drill holes indicated three lead-zinc mineralized areas which were partially tested to a depth of 55 feet or less. It is estimated by Cominco that one ore zone, as indicated by six drill holes, contains 900,000 tons of ore grading 13% zinc and 2% lead. Of these holes, four were still in good values when they were stopped at a depth of 54 feet. Two other lead-zinc mineralized zones were indicated by drilling.

In the 1965 field season Cominco crews conducted preliminary prospecting activities over a 400 to 500 square mile area on exposures of the favourable dolomite formation on Cornwallis Island. Despite the shortness of the season, four lead-zinc mineralized zones were located. One of these zones contains lead-zinc minerals in rubble and soil extending over an 8,000-foot strike length. The zone is inferred to have a possible true width of 200 feet. This showing is contained in a larger area of lead-zinc occurrences extending over six miles. The other lead-zinc showings, in the favourable formation on Cornwallis Island, are located at varying distances of 25 to 50 miles from each other.

Application was made and granted, under the Canada Mining Regulations, for further prospecting permits covering 900,000 acres on Cornwallis Island and approximately 300,000 acres on Little Cornwallis Island. This includes most of the exposed area of favourable formation.

The field work proposed for 1966 includes further drilling of the Eclipse area on Little Cornwallis Island, and a detailed examination of the original lead-zinc showings on the west side of Little Cornwallis Island with possible drilling of some of the lead-zinc mineralized zones discovered.

With reference to your company's oil holdings in the Arctic Islands, we are pleased to advise you that

your company has entered into a new agreement with Cominco, which agreement provides that Bankeno will be paid the sum of \$500,000 and retain a 50% carried interest in the oil permits. Complete direction of the operation has been turned over to Cominco with the right to drop any portions of the permits that it thinks advisable and with the further right to enter into any farmout agreements or financing agreements, provided always that in such event Bankeno will receive one-half of the consideration paid.

The agreement further provides that in the event Cominco itself decides to drill wells on properties covered by the permits that Bankeno will retain a 25% carried interest in any wells so drilled. In this event Bankeno is given the further right to participate in the drilling of such wells and obtain a 50% interest by paying half of the costs in any wells that may be drilled. This will allow Bankeno, in the event that a successful wildcat well is drilled and an oil pool is discovered, to participate in any further wells drilled and obtain a 50% interest.

The agreement also further provides that in the event that Cominco participates in any farmout or financing in connection with the lands covered by the permits, Bankeno will always have the right to participate with Cominco up to 50% of Cominco's participation.

Should mineral discoveries be made as a result of oil exploration, and claims are staked by either Cominco or Bankeno, each of the parties would have a 50% interest in such mining claims.

The net result of this agreement is that Bankeno does not have to concern itself further with keeping the permits in good standing, nor raising further funds for the drilling of wells. The agreement gives Bankeno a permanent right, at any time it wishes, to participate in the drilling of any wells or in any financing that Cominco may enter into on a farmout or other arrangement in connection with the oil properties.

Your management believes that Bankeno is fortunate to have these operations directed by a company of the size, experience and with the resources of Cominco. Our relationship with Cominco, resulting from the agreement covering our mining properties, has been most satisfactory and co-operative.

On behalf of the board,

Toronto, Ontario
May 27th, 1966

T. J. DAY
President

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Incorporated under the laws of the Province of Ontario

Balance Sheet -

ASSETS

CURRENT ASSETS:

Cash	\$	21.91	
Marketable securities, at market value being lower than cost		2,028.75	2,050.66

OIL AND GAS PERMITS, at cost 14,575.00

MINING PROPERTIES (notes 1 and 2) 25,488.43

DEFERRED CHARGES (note 3):

Exploration and development	671,575.34	
Administration	93,027.62	764,602.96

The accompanying notes are an integral part of this statement.

\$806,717.05

AUDITOR

To the Shareholders of
Bankeno Mines Limited:

We have examined the balance sheet of Bankeno Mines Limited as at December 31, 1965. Our examination included a general review of the accounting procedures and such tests of details as we considered appropriate in the circumstances.

In our opinion the accompanying balance sheet and related statements of deferred income taxes for the year ended on that date, in accordance with the requirements of the Companies Act, are presented fairly in all material aspects.

Toronto, Canada,
February 4, 1966.

INES LIMITED

the laws of Ontario

December 31, 1965

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 37,197.14	
Loan payable	219,200.00	256,397.14

SHAREHOLDERS' EQUITY

CAPITAL STOCK (note 4):

Authorized, 4,000,000 shares, par value \$1.00 each		
Issued, 3,150,004 shares	3,150,004.00	
DEDUCT Discount thereon	1,532,710.75	
	1,617,293.25	
DEFICIT	1,066,973.34	550,319.91

Approved on behalf of the Board:

J. W. McBEAN, Director.

T. J. DAY, Director.

\$806,717.05

REPORT

1965 and the statements of deferred charges and deficit for the year ended on that date. accounting records and other supporting evidence as we considered necessary in the

arges and deficit present fairly the financial position of the company as at December 31, generally accepted accounting principles applied on a basis consistent with that of the

THORNE, MULHOLLAND, HOWSON & McPHERSON,
Chartered Accountants.

BANKENO MINES LIMITED

Notes to Financial Statement

Year ended December 31, 1965

1. MINING PROPERTIES:

62 Claims on Little Cornwallis Island, Northwest Territories, acquired for 50,000 shares of the company's capital stock valued at \$15,000.00 and staking costs of \$10,487.43	25,487.43
19 Leases in Mayo Mining Division, Yukon Territory, at nominal value	1.00
	<u>\$25,488.43</u>

2. AGREEMENT WITH THE CONSOLIDATED MINING AND SMELTING COMPANY OF CANADA LIMITED:

By agreement dated February 28, 1965, The Consolidated Mining And Smelting Company of Canada Limited has been granted the right to explore and the exclusive possession of, the company's 62 mining claims on Little Cornwallis Island, Northwest Territories, up to December 31, 1966. Cominco is committed to complete expenditures of not less than \$150,000.00 by December 31, 1966, against which \$19,280.00 expended in 1964, under a prior agreement, is to be credited.

On satisfying its commitment mentioned above, Cominco has the right to give notice to Bankeno, on or before December 31, 1966, of its intention to incorporate a new company and to cause the new company to bring the property into commercial production not later than December 31, 1971. The authorized capital of the new company shall be 4,000,000 common shares which will be issued to acquire the mineral claims, Bankeno to receive 1,000,000 shares and Cominco, the balance. The new company will also create and issue 6% cumulative redeemable preferred shares as follows:

(1) To Cominco:

- (a) an amount equal to its expenditures under this agreement prior to its election to cause the property to be brought into production.
- (b) an amount equal to funds subsequently provided by it to bring the property into production and for working capital.

(2) To Bankeno, \$75,000.00.

The agreement also provides for certain eventualities should Cominco not exercise its rights by December 31, 1966, including, inter alia, extension of its rights by additional expenditures, failing which the rights accrue to Bankeno to bring the property into production either by itself or by participation with other parties.

3. DEFERRED CHARGES:

Exploration, development, organization and administrative expenses incurred up to December 31, 1959 were written off to deficit at that date.

4. CAPITAL STOCK:

During 1965 50,000 shares of capital stock valued at \$15,000.00 were issued for an interest in mining claims.

BANKENO MINES LIMITED

Statement of Deferred Charges

Year ended December 31, 1965

(Note 3)

	Balance at beginning of year	Expenditures during year	Balance at end of year
EXPLORATION AND DEVELOPMENT:			
Engineering fees	25,706.29	4,800.00	30,506.29
Geological and exploration expenses, oil and gas permits	205,309.00		205,309.00
General exploration, Arctic Islands	53,778.70		53,778.70
Drilling participations:			
Melville Island	60,243.52	(250.00)	59,993.52
Cornwallis Island	189,500.00		189,500.00
Bathurst Island	146,455.44	(628.31)	145,827.13
Travelling	1,878.87		1,878.87
Telephone and telegraph	260.69		260.69
Government licenses and fees	591.00	80.00	671.00
Sundry	850.14		850.14
	684,573.65	4,001.69	688,575.34
Less Proceeds from sale of work credits	17,000.00		17,000.00
	667,573.65	4,001.69	671,575.34
ADMINISTRATION:			
Accounting and office services	42,000.00	8,400.00	50,400.00
Legal and audit	6,167.65	375.00	6,542.65
Transfer agent's fees and expenses	5,421.77	1,102.51	6,524.28
Listing fees	2,050.00	400.00	2,450.00
Travelling	12,237.83	2,283.31	14,521.14
Reports to shareholders	5,024.95	444.74	5,469.69
Postage, telephone and telegraph	3,560.60	434.40	3,995.00
Printing and stationery	645.61	160.55	806.16
Government fees, licenses and taxes	1,231.81	346.55	1,578.36
Share issue expense	318.29		318.29
Sundry	395.63	26.42	422.05
	79,054.14	13,973.48	93,027.62
	<u>\$746,627.79</u>	<u>\$ 17,975.17</u>	<u>\$764,602.96</u>

Statement of Deficit

Year ended December 31, 1965

Deficit at beginning of year	1,058,376.59
ADD:	
Accounts receivable written off	1,900.00
Adjustment of marketable securities to market value	946.75
Cost of permits abandoned	5,750.00
	8,596.75
DEFICIT AT END OF YEAR	<u><u>\$ 1,066,973.34</u></u>

